



FOR IMMEDIATE RELEASE

September 6, 2007

**COMSTAR - UNITED TELESYSTEMS OJSC  
FINANCIAL RESULTS FOR  
THE SECOND QUARTER AND FIRST SIX MONTHS OF 2007**

**Moscow, Russia** – September 6, 2007 – “COMSTAR – United TeleSystems” OJSC (“Comstar” or “the Group”) (LSE: CMST), the leading integrated telecommunications operator in Russia and the CIS, today announced its unaudited consolidated US GAAP financial results for the three and six months ended June 30, 2007.

**SECOND QUARTER HIGHLIGHTS**

- **Revenues up 32% year on year to US\$ 379.2 million**
- **OIBDA<sup>1</sup> up 51% year on year to US\$ 173.2 million and OIBDA margin of 46%**
- **Operating profit up 54% year on year to US\$ 135.7 million and operating margin of 36%**
- **Net income before non-cash impact of revaluation of put and call option<sup>1</sup> of US\$ 39.2 million**
- **Cash flow from operations up 41% year on year to US\$ 112.4 million**
- **42% year on year growth in Moscow broadband Internet subscriber base to 426,400 customers**
- **52% of MGTS residential subscribers on unlimited tariff plan as at end of period**

**HALF YEAR HIGHLIGHTS**

- **Revenues up 32% year on year to US\$ 708.0 million**
- **OIBDA up 40% year on year to US\$ 303.6 million and OIBDA margin of 43%**
- **Operating profit up 40% year on year to US\$ 228.5 million and operating margin of 32%**
- **Net income before non-cash impact of revaluation of put and call option of US\$ 75.3 million**
- **Cash flow from operations up 27% year on year to US\$ 201.5 million**

Sergey Pridantsev, President of Comstar, commented: “The second quarter performance provides a good platform for the first steps in the implementation of our revised strategy. Our objective is to create a world class integrated full service telecoms provider, and our strategy is focused on leveraging MGTS’ incumbent infrastructure and unique last mile access in Moscow; increasing our broadband market share and ARPU; expanding our service offering; enhancing efficiency levels

---

<sup>1</sup> Here and below, please see Attachment A to this statement for a full definition of OIBDA and a reconciliation of Net Income before the non-cash impact of the revaluation of the put and call option.

across the Group; further expanding our regional operations; streamlining our organization and ownership structures; and capitalizing on our financial investment in Svyazinvest”.

“Our primary revenue growth drivers will change over the coming years and shift increasingly to the provision of broadband fixed-line services to residential and corporate customers. This is why our unique position as owner of the ‘last mile’ access to 3.6 million Moscow households is so important. Our objective is to have a 50% share of the Moscow broadband market by 2011. We have therefore launched a new strategy to accelerate subscriber acquisition. This has started with an aggressive new marketing campaign and the introduction of new sales channels to leverage MGTS’ network and human resources. We are also rebalancing our capital expenditure programs towards the selective modernization of Moscow’s ‘last mile’ infrastructure.”

Nikolay Tokarev, Chief Financial Officer, added: “The increase in our OIBDA margin reflects the healthy underlying development of the business, as well as the ongoing reorganization and optimization processes. We continue to focus on unlocking our significant operational potential, in the form of substantial further revenue and cost synergies. We expect the trends and momentum that have been demonstrated in the first half of 2007 to continue, and therefore expect higher than anticipated full year 2007 revenue growth of between 25% and 30%, and an improved full year OIBDA margin of not less than 40%, before any further regulatory changes or acquisitions”.

## **FINANCIAL SUMMARY**

<i>(US\$ millions)</i>	<b>Q2 2007</b>	Q2 2006	<i>Year on year Growth</i>	Q1 2007	<i>Quarter on quarter Growth</i>	<b>H1 2007</b>	H1 2006	<i>Year on year Growth</i>
Revenues.....	<b>379.2</b>	286.6	32%	328.9	15%	<b>708.0</b>	536.4	32%
OIBDA.....	<b>173.2</b>	115.0	51%	130.4	33%	<b>303.6</b>	217.3	40%
Margin .....	<b>45.7%</b>	40.1%		39.6%		<b>42.9%</b>	40.5%	
Operating Profit .....	<b>135.7</b>	88.1	54%	92.8	46%	<b>228.5</b>	163.5	40%
Margin .....	<b>35.8%</b>	30.8%		28.2%		<b>32.3%</b>	30.5%	
Net income before non-cash impact of revaluation of put and call option .....	<b>39.2</b>	58.2	(33%)	36.1	8%	<b>75.3</b>	97.4	(23%)
Margin .....	<b>10.3%</b>	20.3%		11.0%		<b>10.6%</b>	18.2%	
Change in fair value of put and call option less minority share .....	<b>(22.0)</b>	–		7.5		<b>(14.5)</b>	–	
Net income.....	<b>17.2</b>	58.2	(71%)	43.7	(61%)	<b>60.8</b>	97.4	(38%)
Earnings per share – basic .....	<b>\$0.05</b>	\$0.16		\$0.12		<b>\$0.17</b>	\$0.29	
Earnings per share – diluted .....	<b>\$0.05</b>	\$0.16		\$0.12		<b>\$0.17</b>	\$0.29	
Operating Cash Flow .....	<b>112.4</b>	79.6	41%	89.1	26%	<b>201.5</b>	158.8	27%
CAPEX <sup>2</sup> .....	<b>68.5</b>	82.2	(17%)	79.6	(14%)	<b>148.1</b>	135.0	10%
Total Assets .....	<b>3,762.5</b>	2,745.9	37%	3,671.5	2%	<b>3,762.5</b>	2,745.9	37%

<sup>2</sup> Please see Attachment A to this statement for a full definition of CAPEX.

## OPERATING REVIEW

### Group Overview

Comstar reported 32% year on year revenue growth in the second quarter and 15% quarter on quarter growth. This growth continued to reflect the high customer demand for the unlimited tariff plan introduced by MGTS from February 2007, as well as for Comstar's double and triple-play offerings. Comstar also received US\$ 27.0 million of compensation from the Federal Budget for discounts provided to certain categories of customers prior to 2005, which compares with US\$ 17.8 million of similar compensation received in the second quarter of 2006. In addition, the year on year growth reflected the impact of the introduction of the 'Calling Party Pays' ('CPP') regulation from July 2006, which contributed US\$ 26.7 million of revenue in the second quarter; the change in the long-distance ('DLD/ILD') revenue recognition policy from January 1, 2006; as well as the continuing appreciation of the Russian Ruble against the US dollar.

Operating expenses, excluding depreciation and amortisation charges, increased year on year and quarter on quarter, but were reduced as a percentage of revenue to 54%, from 63% in the second quarter of 2006 and 60% in the first quarter of 2007. This reduction was the net effect of the reorganization and headcount reduction at Comstar-Moscow, salary increases at MGTS, the optimization of the Group's sales and marketing activities following the 2006 rebranding campaigns, and the continuing appreciation of the Russian Ruble against the US dollar. Network traffic costs doubled year on year due to the introduction of CPP, the increased scale of the Group, and the changes in the interconnection regime. However, network traffic costs declined 5% quarter on quarter, as Comstar-Moscow completed the transition of its customer base to the new 'agent' scheme for long distance traffic, and certain low margin traffic transit agreements were discontinued by Comstar's international operations.

<i>(US\$ millions)</i>	<b>Q2 2007</b>	Q2 2006	<i>Year on year Growth</i>	Q1 2007	<i>Quarter on quarter Growth</i>	<b>H1 2007</b>	H1 2006	<i>Year on year Growth</i>
Employee costs .....	<b>83.4</b>	73.3	14%	81.0	3%	<b>164.5</b>	132.9	24%
Network traffic costs .....	<b>34.6</b>	17.0	104%	36.3	(5%)	<b>70.9</b>	36.2	96%
Selling and marketing .....	<b>9.0</b>	12.6	(28%)	6.5	39%	<b>15.4</b>	18.5	(16%)
Repairs and maintenance ....	<b>17.3</b>	21.1	(18%)	13.7	26%	<b>30.9</b>	36.0	(14%)
Taxes .....	<b>11.9</b>	8.4	42%	9.7	22%	<b>21.6</b>	16.8	29%
Utility and energy costs .....	<b>8.5</b>	5.9	43%	10.4	(18%)	<b>18.9</b>	13.6	40%
Other, net .....	<b>41.3</b>	40.9	1%	40.8	1%	<b>82.2</b>	72.9	13%
<b>TOTAL OPERATING EXPENSES<sup>3</sup> .....</b>	<b>206.0</b>	179.1	15%	198.5	4%	<b>404.5</b>	326.7	24%

Comstar therefore reported a 51% year on year and 33% quarter on quarter increase in OIBDA. The Group OIBDA margin expanded by almost 6 percentage points year on year and over quarter on quarter to 45.7%. The second quarter 2006 result included US\$ 17.8 million of compensation from the Federal budget and a US\$ 7.6 million gain from the sale of an MGTS building. Group depreciation and amortisation charges increased by 40% year on year to US\$ 37.5 million, in line with the growth in the Group's asset base, additional charges for businesses acquired during 2006, and the previously announced acceleration in the depreciation of MGTS' analogue equipment. However, the charges remained stable quarter on quarter. The appreciation of the Russian Ruble also resulted in a positive effect when translating MGTS' Ruble-denominated depreciation and amortisation charges into the Group's US dollar reporting currency. Comstar therefore reported a

<sup>3</sup> Excluding depreciation and amortisation, net.

54% year on year and 46% quarter on quarter increase in operating profits, and an operating margin of 35.8%, compared to a margin of 30.8% for the second quarter of 2006 and 28.2% for the first quarter of the current year.

The Group reported a largely stable net interest expense of US\$ 10.0 million for the period, when compared to the first quarter of 2007. The net interest income of US\$ 9.8 million for the same period of 2006 reflected the higher level of cash and short term investments following the Group's initial public offering and the lower level of corporate borrowing ahead of the US\$ 1.3 billion acquisition of the 25% plus one share stake in Svyazinvest in December 2006. Comstar reported a US\$ 0.1 million foreign exchange rate gain in the second quarter, compared to gains of US\$ 4.4 million and US\$ 3.4 million for the same period of 2006 and the first quarter of 2007, respectively. The lower gain was due to the revaluation of the Group's Euro-denominated capital lease obligations and amounts payable to equipment suppliers.

The put and call option issued as part payment for the Svyazinvest stake continued to impact the Group's results and gave rise to a US\$ 39.5 million non-cash charge in the quarter, following the significant increase in Comstar's share price since the end of the first quarter of 2007. This compared with a US\$ 13.5 million non-cash gain in the first quarter of 2007, and no such impact in the second quarter of 2006.

The Group's effective tax rate, before the revaluation of the put and call option, was largely stable quarter on quarter at 28% for the period, compared to 30% for the first quarter. The 19% effective tax rate for the second quarter of 2006 reflected the tax benefit of the foreign exchange losses on the IPO proceeds. The effective tax rate will continue to be affected by the quarterly revaluation of the put and call option.

Group minority interests increased by 30% year on year and by 3% quarter on quarter to US\$ 33.4 million, which reflected both the strong revenue growth at MGTS, which is 56% owned by Comstar, as well as MGTS' US\$ 17.5 million minority interest in the non-cash put and call option charge.

Comstar's net income in the second quarter of 2007 was impacted by the non-cash charge, arising from the revaluation of the put and call option, net interest expense as compared to net interest gain for the same period of 2006, and the higher effective tax rate following the use of the IPO proceeds in the fourth quarter of 2006 and a subsequent decrease in tax-deductible foreign exchange losses. Group net income before the non-cash impact of the revaluation of the put and call option therefore amounted to US\$ 39.2 million in the quarter, compared to US\$ 58.2 million for the same period of 2006 and US\$ 36.1 million for the first quarter of 2007.

## Moscow City Telephone Network (MGTS)

Comstar owns 56% of MGTS, which is Moscow's incumbent fixed-line telecommunications operator and the infrastructure provider for the Group. MGTS is the owner of the "last mile" in Moscow and has over 3.6 million subscribers.

<i>(US\$ millions)</i>	<b>Q2 2007</b>	Q2 2006	<i>Year on year Growth</i>	Q1 2007	<i>Quarter on quarter Growth</i>	<b>H1 2007</b>	H1 2006	<i>Year on year Growth</i>
<b>Residential subscribers</b>								
Revenue, millions								
Voice.....	<b>\$147.2</b>	84.9	73%	108.2	36%	<b>\$255.3</b>	149.6	71%
Other .....	<b>3.7</b>	3.9	(6%)	3.6	3%	<b>7.3</b>	7.4	(1%)
Total revenue .....	<b>\$150.8</b>	88.9	70%	111.8	35%	<b>\$262.6</b>	157.0	67%
Number of subs./active lines, 000s.....	<b>3,577.9</b>	3,554.4	1%	3,575.3	0%	<b>3,577.9</b>	3,554.4	1%
ARPU per month <sup>4</sup> .....	<b>\$11.3</b>	7.8	44%	10.2	11%	<b>10.8</b>	6.4	69%
<b>Corporate subscribers</b>								
Revenue, millions								
Voice.....	<b>\$41.8</b>	33.6	24%	38.1	10%	<b>\$79.9</b>	66.2	21%
Access node/Trunk rental .....	<b>20.8</b>	18.0	15%	19.7	5%	<b>40.5</b>	34.4	18%
Other .....	<b>7.3</b>	6.3	16%	7.3	0%	<b>14.6</b>	13.5	8%
Total revenues.....	<b>\$69.8</b>	57.9	21%	65.2	7%	<b>\$135.0</b>	114.2	18%
Number of active lines, 000s .....	<b>763.7</b>	760.0	0%	762.3	0%	<b>763.7</b>	760.0	0%
Number of subs., 000s.....	<b>74.1</b>	76.9	(4%)	70.7	5%	<b>74.1</b>	76.9	(4%)
ARPU (excl. revenue from access nodes) .....	<b>\$215.7</b>	160.0	35%	198.2	9%	<b>\$208.0</b>	160.2	30%
Number of access nodes, 000s .....	<b>26.9</b>	29.6	(9%)	28.4	(5%)	<b>26.9</b>	29.6	(9%)
Average Revenue per Access Node .....	<b>\$246.3</b>	199.3	24%	229.9	7%	<b>\$238.2</b>	188.2	27%
<b>Operators</b>								
Revenue, millions .....								
Rent of data transmission ports <sup>5</sup> .....	<b>\$14.5</b>	15.0	(4%)	17.3	(16%)	<b>\$31.8</b>	28.8	10%
Initiation & termination of DLD/ILD traffic .....	<b>8.5</b>	12.5	(32%)	6.6	29%	<b>15.0</b>	20.1	(25%)
Access nodes/Trunk rental.....	<b>42.5</b>	29.6	44%	41.3	3%	<b>83.9</b>	56.3	49%

<sup>4</sup> Excluding US\$ 17.8 million and US\$ 27.0 million of compensation received from the Federal Budget in the second quarters of 2006 and 2007, respectively. Here and below, ARPU calculations exclude connection fees.

<sup>5</sup> Primarily to Comstar Direct.

<i>(US\$ millions)</i>	<b>Q2 2007</b>	Q2 2006	<i>Year on year Growth</i>	Q1 2007	<i>Quarter on quarter Growth</i>	<b>H1 2007</b>	H1 2006	<i>Year on year Growth</i>
Other .....	<b>5.3</b>	5.8	<i>(10%)</i>	5.2	<i>2%</i>	<b>10.4</b>	8.9	<i>17%</i>
Total revenues.....	<b>\$70.8</b>	63.0	<i>12%</i>	70.4	<i>1%</i>	<b>\$141.2</b>	114.1	<i>24%</i>
DLD/ILD (minutes), 000s <sup>6</sup> ...	<b>337,740</b>	860,984	<i>(61%)</i>	371,713	<i>(9%)</i>	<b>709,452</b>	1,467,355	<i>(52%)</i>
DLD/ILD traffic charges per minute .....	<b>\$0.03</b>	\$0.01	<i>72%</i>	\$0.02	<i>42%</i>	<b>\$0.02</b>	\$0.01	<i>55%</i>
Access nodes with operators, 000s.....	<b>209.4</b>	184.0	<i>14%</i>	189.6	<i>10%</i>	<b>209.4</b>	184.0	<i>14%</i>
Average Revenue per Access Node .....	<b>\$41.5</b>	\$46.0	<i>(10%)</i>	\$47.3	<i>(12%)</i>	<b>\$44.4</b>	\$43.8	<i>1%</i>
<b>TOTAL REVENUES.....</b>	<b>\$291.4</b>	<b>209.7</b>	<b>39%</b>	<b>247.3</b>	<b>18%</b>	<b>\$538.8</b>	<b>385.3</b>	<b>40%</b>
Intersegment sales.....	<b>(\$31.1)</b>	(28.5)	<i>9%</i>	(30.9)	<i>1%</i>	<b>(\$62.1)</b>	(53.2)	<i>17%</i>
<b>NET REVENUES .....</b>	<b>\$260.3</b>	<b>181.2</b>	<b>44%</b>	<b>216.4</b>	<b>20%</b>	<b>\$476.7</b>	<b>332.2</b>	<b>44%</b>
<b>OIBDA .....</b>	<b>\$151.1</b>	101.8	<i>48%</i>	114.4	<i>32%</i>	<b>\$265.5</b>	184.7	<i>44%</i>
<i>Margin .....</i>	<b>51.9%</b>	48.5%		46.3%		<b>49.3%</b>	47.9%	

MGTS generated 39% year on year and 18% quarter on quarter revenue growth in the second quarter, which largely reflected the US\$ 70.4 million year on year and US\$ 42.6 million quarter on quarter growth in residential and corporate voice revenues. Residential voice revenues were up 73% year on year and 36% quarter on quarter, with 52% of MGTS residential subscribers choosing to remain on the unlimited tariff plan of RUR 380 (approximately US \$14.7) per month, including 18% VAT, introduced in February. MGTS received US\$ 27.0 million of payments from the Federal Budget in the quarter by way of reimbursement for discounts provided to certain categories of low income residential subscribers, including pensioners and military veterans, under the terms of pre-2005 legislation. This compares with the US\$ 17.8 million of similar payments received in the second quarter of 2006. MGTS received the remaining US\$ 9.6 million of compensation in July 2007, which will be recognized in the third quarter. No further payments are anticipated in 2007 or in the future. The introduction of CPP from July 2006 also continued to positively impact the revenue line by adding a further US\$ 23.0 million in the second quarter. Residential CPP traffic increased by 12% quarter on quarter from 283 million minutes to 315 million minutes, and contributed US\$ 15.4 million of revenue in the quarter.

Corporate voice revenues were up 24% year on year and 10% quarter on quarter, whilst access node and trunk rental revenues increased by 15% year on year and 5% quarter on quarter. Corporate CPP traffic increased by 22% quarter on quarter from 107 million minutes to 130 million minutes, and contributed US\$ 7.5 million of revenue in the quarter.

Revenue from Operators was up 12% year on year and 1% quarter on quarter. The year on year growth reflected the 44% increase in access node and trunk rental revenues. Long-distance revenues, excluding the one-off recognition of US\$ 5.5 million of revenue from Rostelecom in the second quarter of 2006, increased by 20% year on year as a result of the rise in per minute charges from February 1, 2007.

<sup>6</sup> DLD/ILD minutes in Q2 2006 and H1 2006 include zonal traffic, free for the subscriber before the introduction of the CPP Rule effective July 1, 2006.

MGTS therefore reported a 48% year on year and 32% quarter on quarter increase in OIBDA, and an increased OIBDA margin of 51.9%, when compared to 46.3% in the first quarter and 48.5% for the second quarter of 2006. The year on year development included the impact of the Federal budget compensation for both periods, the higher salary costs from October 2006, the higher revenues but adverse margin impact of the introduction of CPP from July 2006, and the US\$ 7.6 million gain from the sale of an MGTS building in the second quarter of 2006.

## COMSTAR-MOSCOW

Comstar-Moscow is a leading alternative fixed-line solutions provider for primarily corporate customers, which offers voice and data services to nearly 40,000 subscribers and has over 160,000 active lines in Moscow and the Moscow region.

<i>(US\$ millions)</i>	<b>Q2 2007</b>	Q2 2006	<i>Year on year Growth</i>	Q1 2007	<i>Quarter on quarter Growth</i>	<b>H1 2007</b>	H1 2006	<i>Year on year Growth</i>
<b>Residential subscribers</b>								
Total revenue, millions .....	<b>\$1.5</b>	2.2	<i>(33%)</i>	1.5	<i>(1%)</i>	<b>\$3.0</b>	4.5	<i>(34%)</i>
Number of Residential subscribers, 000s.....	<b>17.5</b>	15.1	<i>16%</i>	16.5	<i>6%</i>	<b>17.5</b>	15.1	<i>16%</i>
ARPU.....	<b>\$28.8</b>	46.3	<i>(38%)</i>	28.0	<i>3%</i>	<b>\$28.4</b>	47.6	<i>(40%)</i>
Number of Active Lines, 000s.....	<b>19.2</b>	17.0	<i>13%</i>	19.3	<i>0%</i>	<b>19.2</b>	17.0	<i>13%</i>
<b>Corporate subscribers</b>								
Revenue, millions								
Voice.....	<b>\$15.1</b>	20.0	<i>(25%)</i>	17.1	<i>(12%)</i>	<b>\$32.2</b>	38.9	<i>(17%)</i>
Data and internet.....	<b>12.6</b>	11.3	<i>11%</i>	12.1	<i>4%</i>	<b>24.7</b>	21.2	<i>16%</i>
Other .....	<b>7.3</b>	2.9	<i>147%</i>	4.7	<i>55%</i>	<b>12.0</b>	5.5	<i>116%</i>
Total revenues.....	<b>\$34.9</b>	34.3	<i>2%</i>	34.0	<i>3%</i>	<b>\$68.8</b>	65.7	<i>5%</i>
Number of Active Lines, 000s.....	<b>141.7</b>	139.9	<i>1%</i>	144.4	<i>(2%)</i>	<b>141.7</b>	139.9	<i>1%</i>
Number of subscribers, 000s .....	<b>20.4</b>	20.6	<i>(1%)</i>	20.8	<i>(2%)</i>	<b>20.4</b>	20.6	<i>(1%)</i>
ARPU.....	<b>\$553.3</b>	531.7	<i>4%</i>	503.6	<i>10%</i>	<b>\$528.2</b>	512.8	<i>3%</i>
<b>Operators</b>								
Total revenue .....	<b>\$33.3</b>	28.8	<i>16%</i>	29.0	<i>15%</i>	<b>\$62.3</b>	57.2	<i>9%</i>
Other revenues .....	<b>\$0.5</b>	2.6	<i>(81%)</i>	0.6	<i>(14%)</i>	<b>\$1.0</b>	2.8	<i>(63%)</i>
<b>TOTAL REVENUES.....</b>	<b>\$70.1</b>	67.9	<i>3%</i>	65.0	<i>8%</i>	<b>\$135.2</b>	130.3	<i>4%</i>
Intersegment sales.....	<b>(\$1.4)</b>	(1.7)	<i>(18%)</i>	(1.2)	<i>16%</i>	<b>(\$2.7)</b>	(3.0)	<i>(11%)</i>
<b>NET REVENUES .....</b>	<b>\$68.7</b>	66.1	<i>4%</i>	63.8	<i>8%</i>	<b>\$132.5</b>	127.3	<i>4%</i>
<b>OIBDA<sup>7</sup> .....</b>	<b>\$13.5</b>	13.0	<i>4%</i>	12.5	<i>8%</i>	<b>\$26.0</b>	27.2	<i>(4%)</i>
Margin .....	<b>19.2%</b>	19.2%		19.2%		<b>19.2%</b>	20.9%	

<sup>7</sup> Comstar-Moscow's OIBDA has been recalculated and now includes corporate expenses in line with the recent merger of the Corporate Center into Comstar-Moscow .

The 25% and 33% respective year on year declines in corporate and residential voice revenues reflected the introduction of the new long distance regulations in 2006. Under the new rules, Comstar-Moscow recognizes the margin on long-distance traffic as agent fees from authorized long-distance providers and, therefore, classifies it as revenue from Operators. This compares with the prior recognition of the full per minute charge in the second quarter of 2006. Revenues from Operators consequently increased by 16% year on year. As at June 30, 2007, almost all Comstar Moscow subscribers have been transferred to the new 'agent' scheme.

CPP revenues from calls to mobile users contributed approximately US\$ 3.7 million of voice revenues in the quarter, compared to approximately US\$ 3.4 million in the first quarter of 2007.

Corporate customer data and internet service revenues increased by 11% and 4% year on year and quarter on quarter, respectively, following high demand from corporate subscribers.

Corporate subscriber ARPU increased by 10% quarter on quarter to US\$ 553.3, and partially reflected the fixing of tariffs in Russian Rubles for a substantial part of the subscriber base during the first six months of 2007. The lower year on year increase in ARPU reflected the above mentioned change in long-distance regulation and resulting reclassification of voice revenues.

Comstar-Moscow's OIBDA was up 4% year on year and 8% quarter on quarter, following the cost optimization and workforce reduction programs implemented during the second half of 2006 and first six months of the current year. The more modest year on year growth reflects the fact that the Corporate Centre within Comstar-Moscow was created in the second half of 2006, and did not exist in the second quarter of 2006. The OIBDA margin therefore remained stable at 19.2% year on year and quarter on quarter.

## COMSTAR-DIRECT

Comstar-Direct is the largest broadband service provider in Moscow, and has 426,400 residential subscribers, including 99,100 double-play (broadband Internet + IPTV) customers. The division is 52% owned and fully consolidated by the Group, with Sistema Mass Media owning the remaining 48% minority stake.

<i>(US\$ millions)</i>	<b>Q2 2007</b>	Q2 2006	<i>Year on year Growth</i>	Q1 2007	<i>Quarter on quarter Growth</i>	<b>H1 2007</b>	H1 2006	<i>Year on year Growth</i>
<b>Residential subscribers</b>								
Revenue, million								
Data & Internet								
Broadband Internet.....	<b>\$25.8</b>	19.4	33%	23.7	9%	<b>\$49.4</b>	36.7	35%
<i>Incl. double play (Internet + IPTV) .....</i>	<b>8.1</b>	1.7	-	7.3	11%	<b>15.5</b>	2.5	-
Dial-up Internet .....	<b>1.1</b>	2.2	(50%)	1.5	(27%)	<b>2.6</b>	4.8	(46%)
Other .....	<b>0.1</b>	0.1	(53%)	0.1	(54%)	<b>0.2</b>	0.3	(32%)
Total revenues.....	<b>\$26.9</b>	21.7	24%	25.3	6%	<b>\$52.2</b>	41.8	25%



Number of Broadband Internet Subscribers, 000s <sup>8</sup> .....	<b>426.4</b>	301.0	42%	410.3	4%	<b>426.4</b>	301.0	42%
<i>Incl. double play, 000s</i> .....	<b>99.1</b>	28.6	247%	99.7	(1%)	<b>99.1</b>	28.6	247%
ARPL per month.....	<b>\$20.1</b>	21.6	(7%)	19.7	2%	<b>\$19.9</b>	21.1	(6%)
Number of Dial-up Internet subscribers, 000s.....	<b>69.9</b>	140.5	(50%)	89.4	(22%)	<b>69.9</b>	140.5	(50%)
ARPU per month.....	<b>\$4.6</b>	5.1	(11%)	\$5.0	(8%)	<b>\$4.8</b>	4.9	(2%)
<b>Corporate subscribers</b>								
Total revenues, million.....	<b>\$9.6</b>	8.9	8%	\$8.5	13%	<b>\$18.1</b>	17.2	6%
Number of subs., 000s.....	<b>14.2</b>	13.2	8%	14.1	1%	<b>14.2</b>	13.2	8%
ARPU per month.....	<b>\$192.5</b>	162.7	18%	\$164.3	17%	<b>\$178.7</b>	150.8	19%
<b>Other revenues</b>								
Total revenues, million.....	<b>\$2.4</b>	1.8	28%	\$3.4	(31%)	<b>\$5.8</b>	3.8	52%
<b>TOTAL REVENUES</b> .....	<b>\$38.9</b>	32.4	20%	37.2	4%	<b>\$76.1</b>	62.8	21%
Intersegment sales.....	<b>(\$0.2)</b>	(0.2)	45%	(0.2)	59%	<b>(\$0.4)</b>	(0.3)	19%
<b>NET REVENUES</b> .....	<b>\$38.6</b>	32.2	20%	37.1	4%	<b>\$75.7</b>	62.5	21%
<b>OIBDA</b> .....	<b>\$9.0</b>	1.0	-	4.6	94%	<b>\$13.6</b>	5.8	133%
<i>Margin</i> .....	<b>23.0%</b>	3.0%		12.4%		<b>17.9%</b>	9.3%	

Comstar-Direct continued to increase its subscriber base during the period, with the number of residential broadband subscribers up 42% year on year and 4% quarter on quarter to 426,400. Comstar-Direct therefore had a 33% share of the Moscow broadband subscriber market as at June 30, 2007, according to the latest independent survey data from the Direct Info research firm. Comstar-Direct revised its tariff plans during the quarter with a view to increasing the proportion of active pay-TV users in its double-play subscriber base. The number of double-play subscribers to the bundled data and 'Stream' IPTV services almost quadrupled year on year to 99,100 customers. The double-play base was stable quarter on quarter following the introduction of new balanced tariff plans.

Residential broadband revenues increased by 9% quarter on quarter to US\$ 25.8 million, following healthy subscriber growth and the quarter on quarter increase in average revenue per ADSL line (ARPL)<sup>9</sup> from US\$ 19.7 to US\$ 20.1.

<sup>8</sup> The number of residential broadband internet and double-play subscribers was recalculated in line with the new methodology for recognition of subscribers. Now subscribers at the stage of authorization are excluded from the subscriber base, while those with temporarily blocked access have been included in the client base. As a result, a subscriber is recognized in the subscriber base if the ADSL line is activated and a subscriber is paying for broadband services, or the access is temporarily blocked but can be activated immediately after payment.

<sup>9</sup> Please see Attachment A to this statement for a full definition of ARPL.

Corporate customer broadband revenues were up 8% year on year and 13% quarter on quarter, in line with the growth in the subscriber base and the introduction of three unlimited tariff plans for corporate subscribers during the second quarter of 2007.

Segment OIBDA increased eightfold year on year and almost doubled quarter on quarter, with the margin for the period increasing to 23.0%, from a breakeven point a year ago, and from 12.4% in the first quarter of 2007. The quarter on quarter growth in the OIBDA margin partly reflected the reduced fees payable for the use of the MGTS data transmission network, following the high uptake of ADSL broadband services and a resulting recalculation of payments due for the period from January 1, 2007.

A number of new initiatives were launched towards the end of the quarter and have been introduced since, in order to increase market share and ARPU. Comstar's goal is to have a 50% share of the Moscow broadband market in 2011. MGTS will play an active role in facilitating this growth by providing the 'last mile' access to its residential customer base and by utilizing its highly qualified technical support teams to sell in the new double-play offerings. In this context, Comstar is rebalancing its infrastructure investments to focus on the selective modernization of this 'last mile' access, so that the Group can offer greater capacity, higher speeds and enhanced services.

A new offering structure and marketing campaign were launched on September 1, 2007. The new broadband development strategy is focused on introducing double-play services to homes and up-selling the existing subscriber base to higher tariffs with increased connection speeds and enhanced services.

The first element of this strategy is being executed by the MGTS technical support teams and is targeted at PC owners, who either do not have an Internet connection or are using dial-up connections or home networks. MGTS is focusing on the mass market and has already started to install additional equipment in buildings in concentrated traffic areas. From September 15, 2007, MGTS will start selling broadband services to its 3.6 million subscribers. MGTS will exclusively offer credit-based tariffs for MGTS-branded broadband access, with speeds of between 128 and 512 kilobits per second. MGTS customers will therefore receive a single bill for double-play services. The second element is being jointly implemented by the MGTS teams and the Comstar-Direct sales force, and is focusing on up-selling existing broadband subscribers by promoting prepaid tariffs for increased speeds of 1 to 6 megabits per second. MGTS will also act as an agent in selling Comstar-Direct's premium high-speed broadband internet, pay-TV and other value added services.

## COMSTAR REGIONS & INTERNATIONAL

Comstar's regional and international business comprises the Group's operations in the Russian regions (Sochi, Samara, St. Petersburg, Saratov and Tyumen) and the CIS (Ukraine and Armenia).

<i>(US\$ millions)</i>	<b>Q2 2007</b>	Q2 2006	<i>Year on year Growth</i>	Q1 2007	<i>Quarter on quarter Growth</i>	<b>H1 2007</b>	H1 2006	<i>Year on year Growth</i>
<b>Residential subscribers</b>								
Total revenues, million .....	<b>\$2.6</b>	2.2	15%	2.4	7%	<b>\$5.0</b>	5.0	0%
Number of subs., 000s .....	<b>81.9</b>	72.8	12%	80.7	1%	<b>81.9</b>	72.8	12%
<b>Corporate subscribers</b>								
Total revenues, million .....	<b>\$4.9</b>	4.5	9%	5.0	(3%)	<b>\$9.9</b>	8.9	11%
Number of subs., 000s .....	<b>9.8</b>	6.7	46%	9.4	4%	<b>9.8</b>	6.7	46%

<b>Operators</b>								
Total revenues, million .....	<b>\$4.1</b>	0.2	–	4.1	0%	<b>\$8.2</b>	0.5	–
Number of Operators, 000s.....	<b>0.052</b>	0.051	2%	0.036	44%	<b>0.052</b>	0.051	2%
Other revenues .....	<b>\$0.0</b>	0.1	(48%)	0.1	(10%)	<b>\$0.1</b>	0.1	(15%)
<b>TOTAL REVENUES</b> .....	<b>\$11.6</b>	7.0	65%	11.6	0%	<b>\$23.2</b>	14.5	60%
<b>OIBDA</b> .....	<b>\$1.4</b>	1.4	1%	0.7	95%	<b>\$2.1</b>	2.7	(21%)
<i>Margin</i> .....	<b>12.1%</b>	18.9%		6.2%		<b>9.2%</b>	18.2%	

The residential revenue growth in the period reflected the 12% year on year increase in the residential subscriber base to 81,900, which was primarily driven by subscriber acquisition in the existing Saratov and Tyumen regional operations. Corporate revenues were similarly up 9% year on year, due to the 46% year on year increase in the customer base, healthy organic growth in Tyumen, and the inclusion of the recently acquired Ukrainian operations. The year on year growth in corporate revenues was adversely impacted by the change in long-distance regulation but the change also boosted operator revenues for the period. Segment revenues were up 34% year on year when excluding the Armenian and Ukrainian operations acquired in the fourth quarter of 2006.

Segment OIBDA was stable year on year, with the year on year decline in the margin reflecting the impact of the acquisition of the earlier stage and therefore lower margin businesses mentioned above. However, both OIBDA and the OIBDA margin approximately doubled quarter on quarter as a result of the restructuring program, which commenced in the second quarter of 2007.

Tyumenneftegazsvyaz became only the second operator to launch traffic and transit exchange services over a zonal telephone network in the Khanty-Mansy region of Russia in May, whilst Conversyia-Svyaz and Overta in Saratov launched broadband residential ADSL services in the Saratov region in July. Comstar also consolidated its ownership in Comstar Ukraine in June by acquiring the remaining 25% of the Company.

Since the end of the reporting period, Comstar has become the largest alternative operator in 2014 Olympic Games host city Sochi, by securing approximately a 68%<sup>10</sup> share of the local telecommunications services market in August. This follows the acquisition and integration of leading local alternative operator Sochitelecomservice in August 2007.

## **FINANCIAL REVIEW**

The Group's operations generated a 41% year on year and 26% quarter on quarter increase in net cash flow from operations to US\$ 112.4 million in the second quarter.

Net cash used in investing activities was less than a third of the level for the same period of 2006, due to the short term investment of the IPO proceeds in 2006. The 48% quarter on quarter increase to US\$ 98.8 million reflected the impact of the US\$ 20.0 million sale of the Group's 45% equity stake in ZAO Metrocom in March 2007. Group capital expenditure declined by 17% year on year and by 14% quarter on quarter to US\$ 68.5 million. Total capital expenditure for the year to date therefore amounted to US\$ 148.1 million, which is comfortably in line with the Group's guidance for total capital expenditure of no more than US\$ 350.0 million in 2007. The investments during the

<sup>10</sup> Source: Company data, excl. interregional incumbent South Telecom and Transtelecom.

quarter primarily comprised the ongoing digitalization process and development of Next Generation Network (“NGN”) infrastructure at MGTS. Accounts receivable stabilized, as anticipated, after the initial impact of the introduction of the new MGTS tariffs.

The Group therefore generated US\$ 13.6 million of free cash flow (defined as net cash provided by operations less net cash used in investing activities) in the period.

Comstar used US\$ 20.9 million of cash for its financing activities in the second quarter, including the repayment of capital lease obligations and loans falling due during the period. The Group repaid the US\$ 675.0 million bridge loan provided by ABN Amro and Morgan Stanley in December 2006 with US\$ 675.0 million of the 5-year ruble-denominated RUR 26 billion (approximately US\$ 1 billion) credit facility provided by Sberbank in June 2007.

The Group’s cash and cash equivalents therefore decreased by US\$ 7.0 million during the second quarter to US\$ 148.2 million. Total Group borrowings, including capital lease obligations, were 2% lower at US\$ 823.5 million by the end of the period, due to the repayment of certain matured loans and capital lease obligations. The Group’s net debt was reduced quarter on quarter to US\$ 675.3 million and the debt to OIBDA ratio<sup>11</sup> continued to decline quarter on quarter to 1.8 times as at the end of the period.

<i>(US\$ millions)</i>	<b>Q2 2007</b>	Q2 2006	<i>Year on year Growth</i>	Q1 2007	<i>Quarter on quarter Growth</i>	<b>H1 2007</b>	H1 2006	<i>Year on year Growth</i>
Net cash provided by operations .....	<b>112.4</b>	79.6	41%	89.1	26%	<b>201.5</b>	158.8	27%
Net cash used in investing activities .....	<b>(98.8)</b>	(337.9)	(71%)	(66.8)	48%	<b>(165.6)</b>	(516.3)	(68%)
Net cash (used in) / provided by financing activities .....	<b>(20.9)</b>	(34.1)	(39%)	(4.0)	415%	<b>(24.9)</b>	918.8	(103%)
Effects of foreign currency translation of cash and cash equivalents .....	<b>0.2</b>	0.8	(72%)	0.4	(46%)	<b>0.6</b>	1.9	(67%)
Cash and cash equivalents at the beginning of the period .....	<b>155.2</b>	916.7	(83%)	136.6	14%	<b>136.6</b>	62.0	120%
Cash and cash equivalents at the end of the period.....	<b>148.2</b>	625.1	(76%)	155.2	(5%)	<b>148.2</b>	625.1	(76%)

Comstar treats its shareholding in Svyazinvest as a financial investment, which also provides strategic upside through the resulting involvement in the privatization process. Comstar does not account for the investment under the equity method, but continues to carry it at original cost in the Group’s balance sheet as at June 30, 2007.

The Annual General Meeting of Comstar shareholders, held on June 27, 2007, approved the payment of a dividend of RUR 62.7 million (approximately US\$ 2.4 million) for the twelve month period ended December 31, 2006. The dividend of RUR 0.15 per ordinary share, or approximately US\$ 0.006 per share and Global Depositary Receipt, was paid in full after the end of the quarter.

<sup>11</sup> Calculated as total debt, as at the balance sheet date, divided by OIBDA for the twelve months preceding the balance sheet date.

The Annual General Meeting of MGTS shareholders, held on June 29, 2007, approved the payment of a dividend of RUR 1.3 billion (approximately US\$ 51.5 million) for the twelve month period ended December 31, 2006, which is equivalent to 21% of MTGS' net income (under Russian accounting standards) of RUR 6.3 billion (approximately US\$ 245.5 million) for the period. The dividend payment of RUR 8.75 per ordinary share (approximately US\$ 0.34) and RUR 39.77 per preferred share (approximately US\$ 1.54) will be paid by the end of 2007.

## **SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD**

Comstar announced on July 9, 2007 that its previously announced acquisition of a 51% stake in Hellas On Line SA (HoL) from Intracom Holdings Group (ASE:INTRK) had been discontinued, due to the fact that the deadline for approval by the Greek regulatory authorities had passed.

Comstar received approximately US\$ 9.6 million of payments from the Federal Budget in July 2007, in compensation for discounts provided by MGTS to certain categories of low income residential subscribers, including pensioners and military veterans, under the terms of pre-2005 legislation. These payments will be included in the Group's accounts for the third quarter of 2007. The Group anticipates no further payments in 2007 and thereafter.

Comstar announced on August 3, 2007 that it had completed the acquisition of 100% of Sochitelecomservice, a leading alternative telecommunications operator in the Russian city of Sochi, for a total cash consideration of US\$ 0.75 million.

Alexander Gorbunov (Comstar Vice President for strategy) and Anton Abugov (Sistema First Vice President and Head of Strategy & Development) were elected to the Svyazinvest Board of Directors by the Company's Annual General Meeting of shareholders, which was held on August 28, 2007. Alexander Gorbunov (Comstar Vice President for Strategy) was previously elected as a Board Director of Svyazinvest subsidiary and regional incumbent, Sibirtelecom, and Ivan Zolochovsky (Director of Mobile TeleSystems' North-West region) was elected as a Board Director of Svyazinvest subsidiary and regional incumbent, North West Telecom.

## **OTHER INFORMATION**

### **Conference call**

Comstar will host a conference call today at **4.00 PM** Moscow local time, **1.00 PM** London local time and **8.00 AM** New York local time to present and discuss these results. Participants may dial the following numbers in order to access the call:

UK / International: +44 20 7806 1961

US: +1 718 345 1391

A replay facility will also be made available for 7 days after the call and may be accessed by dialing the following numbers and using the '6409294#' pin code:

UK / International: +44 20 7806 1970

US: +1 718 354 1112

A replay facility will be made available at [http://www.comstar-uts.com/en/for\\_investors/finresults/2007/](http://www.comstar-uts.com/en/for_investors/finresults/2007/) within a month of this statement.

\*\*\*

For further information, please visit [www.comstar-uts.com](http://www.comstar-uts.com) or contact:

Comstar UTS  
Masha Eliseeva  
Tel: +7 495 950 02 27  
[ir@comstar-uts.ru](mailto:ir@comstar-uts.ru)

Shared Value Limited  
Matthew Hooper  
Tel. +44 (0) 20 7321 5010  
[comstar@sharedvalue.net](mailto:comstar@sharedvalue.net)

**Comstar UTS is the leading fixed-line telecommunications company in Moscow, both in terms of revenues and subscribers. Comstar UTS provides voice, data, Internet, pay-TV and other value-added services to residential and corporate subscribers and operators, using its extensive backbone network and exclusive last mile access to 98% of Moscow households. The Company also offers communications services in five Russian regions and certain CIS countries. Comstar had 3.6 million residential subscribers in Moscow, 426,400 broadband internet subscribers in Moscow, 108,700 corporate subscribers in Moscow, and approximately 92,000 regional and international subscribers, as at June 30, 2007. Comstar UTS reported operating revenues of US\$ 708.0 million and a 43% OIBDA margin for the six months ended June 30, 2007. Comstar GDRs are listed under the symbol “CMST” on the London Stock Exchange.**

*Some of the information in this press release may contain projections or other forward-looking statements regarding future events or the future financial performance of Comstar UTS. You can identify forward looking statements by terms such as “expect,” “believe,” “anticipate,” “estimate,” “intend,” “will,” “could,” “may” or “might”, the negative of such terms or other similar expressions. Comstar UTS wishes to caution that these statements are only predictions, and that actual events or results may differ materially. Comstar UTS does not intend to update these statements to reflect events and circumstances occurring after the date hereof or to reflect the occurrence of unanticipated events. Many factors could cause the actual results to differ materially from those contained in projections or forward-looking statements of Comstar UTS, including, among others, general economic conditions, the competitive environment, risks associated with operating in Russia, rapid technological and market change in the industries Comstar UTS operates in, as well as many other risks specifically related to Comstar UTS and its operations.*

## Attachment A

### NON-GAAP FINANCIAL MEASURES

This results statement includes financial information prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP), as well as other non-GAAP financial information. The non-GAAP financial information should be considered as an addition to, but not as a substitute for, information prepared in accordance with US GAAP.

**OIBDA** is operating income before depreciation and amortisation, and the OIBDA margin is defined as OIBDA as a percentage of net revenues. These measures are included in this results statement in order to provide additional information regarding the Group's ability to meet future debt service payments, capital expenditure and working capital requirements, and as a metric to evaluate profitability. OIBDA is not a measure of financial performance under US GAAP, and is not an alternative to operating income as a measure of operating performance, or to cash flows from operating activities as a measure of liquidity. While depreciation and amortisation are considered operating costs under US GAAP, these items primarily represent the non-cash current period allocation of costs arising from the acquisition or development of long-term assets in prior periods. OIBDA is commonly used as a criterion for evaluation of operating performance by credit and equity investors and analysts. The calculation of OIBDA may be different from the calculation used by other companies and comparability may therefore be limited. OIBDA can be reconciled to the Group's consolidated statements as follows:

#### Reconciliation of OIBDA

	2Q 2007		2Q 2006		1Q2007		1H 2007		1H 2006	
	US\$ 'mln	% of revenues	US\$ 'mln	% of revenues	US\$ 'mln	% of revenues	US\$ 'mln	% of revenues	US\$ 'mln	% of revenues
Operating profit .....	135.7	35.8%	88.1	30.8%	92.8	28.2%	228.5	32.3%	163.5	30.5%
Add: Depreciation and amortisation.....	37.5	9.9%	26.9	9.4%	37.6	11.4%	75.1	10.6%	53.8	10.0%
<b>OIBDA .....</b>	<b>173.2</b>	<b>45.7%</b>	<b>115.0</b>	<b>40.1%</b>	<b>130.4</b>	<b>39.6%</b>	<b>303.6</b>	<b>42.9%</b>	<b>217.3</b>	<b>40.5%</b>

## Reconciliation of Net Income before non-cash impact of revaluation of put and call option

	2Q 2007		2Q 2006		1Q 2007		1H 2007		1H 2006	
	US\$ 'mln	% of revenues	US\$ 'mln	% of revenues	US\$ 'mln	% of revenues	US\$ 'mln	% of revenues	US\$ 'mln	% of revenues
Net income (reported) .....	17.2	4.5%	58.2	20.3%	43.7	13.3%	60.8	8.6%	97.4	18.2%
Add/(less): change in fair value of financial instrument (put and call option) .....	39.5	10.4%	–	–	(13.5)	(4.1%)	26.0	3.7%	–	–
Less/(add): minority share in change in fair value of financial instrument (put and call option) .....	(17.5)	(4.6%)	–	–	6.0	1.8%	(11.5)	(1.6%)	–	–
<b>Net income before non-cash impact of revaluation of put and call option .....</b>	<b>39.2</b>	<b>10.3%</b>	<b>58.2</b>	<b>20.3%</b>	<b>36.1</b>	<b>11.0%</b>	<b>75.3</b>	<b>10.6%</b>	<b>97.4</b>	<b>18.2%</b>

**ARPL** (Monthly Average Revenue per Line), a non-US GAAP financial measure, is calculated for the relevant period by dividing Comstar UTS' Stream service revenue, including broadband internet, pay TV and bundled offering excluding connection fee, for that period by the average monthly number of the Comstar UTS' broadband subscribers during the period and by the number of months in the period. Reconciliation of ARPL to service revenues, the most directly comparable US GAAP financial measure, is presented below. We believe that ARPL provides useful information to investors because it is an indicator of the performance of the Group's business operations and assists management in budgeting. The management also believes that ARPL provides useful information concerning usage and acceptance of the Group's services. ARPL should not be viewed in isolation from or as an alternative to other figures reported under US GAAP.

### Average Revenue per ADSL Line (Residential Segment)

	2Q 2007	2Q 2006	1Q2007	1H 2007	1H 2006
Revenue from residential broadband subscribers, excluding connection fee (US\$ 'mln) .....	25.3	19.1	23.1	48.4	35.6
Average monthly number of Stream broadband subscribers .....	418,634	294,702	391,702	405,168	280,773
<b>ARPL (US\$), monthly .....</b>	<b>20.1</b>	<b>21.6</b>	<b>19.7</b>	<b>19.9</b>	<b>21.1</b>

**CAPEX** (Capital Expenditures) is cash expended for purchases of property, plant and equipment and intangible assets, and non-cash additions of property, plant and equipment and intangible assets, excluding considerations paid in business combinations allocated to property, plant and equipment and intangible assets. CAPEX can be reconciled to the Group's consolidated statements as follows:

	2Q 2007		2Q 2006		1Q2007		1H 2007		1H 2006	
	US\$ 'mln	% of revenues	US\$ 'mln	% of revenues	US\$ 'mln	% of revenues	US\$ 'mln	% of revenues	US\$ 'mln	% of revenues
Purchases of property, plant and equipment .....	71.6	18.9%	68.1	23.8%	54.7	16.6%	126.3	17.8%	118.5	22.1%
Purchases of intangible assets .....	7.0	1.9%	12.4	4.3%	9.5	2.9%	16.5	2.3%	13.2	2.5%
Non-cash additions of property, plant and equipment and intangible assets .....	(10.2)	(2.7%)	1.7	0.6%	15.5	4.7%	5.3	0.8%	3.3	0.6%
<b>CAPEX .....</b>	<b>68.5</b>	<b>18.1%</b>	<b>82.2</b>	<b>28.7%</b>	<b>79.6</b>	<b>24.2%</b>	<b>148.1</b>	<b>20.9%</b>	<b>135.0</b>	<b>25.2%</b>



**Attachment B**

**“COMSTAR – United TeleSystems” OJSC  
UNAUDITED CONSOLIDATED INCOME STATEMENTS**

<i>(US\$ thousand, except for share and per share amounts)</i>	<b>Three months ended June 30,</b>		<b>Six months ended June 30,</b>	
	<b>2007</b>	<b>2006 (*)</b>	<b>2007</b>	<b>2006 (*)</b>
Operating revenues .....	\$ 379,157	\$ 286,559	\$ 708,016	\$ 536,398
Operating expenses, excluding depreciation and amortisation, net .....	(205,972)	(179,147)	(404,459)	(326,732)
Depreciation and amortisation .....	(37,505)	(26,880)	(75,101)	(53,759)
Other operating gains .....	–	7,616	–	7,616
<b>Operating income .....</b>	<b>135,680</b>	<b>88,148</b>	<b>228,456</b>	<b>163,523</b>
Interest income .....	3,690	13,423	5,917	21,831
Interest expense .....	(13,739)	(3,577)	(26,439)	(10,385)
Change in fair value of derivative financial instrument (put and call option) .....	(39,500)	–	(26,000)	–
Foreign currency transactions gain, net .....	92	4,428	3,480	9,847
Gain from disposal of an affiliate .....	–	–	3,216	–
<b>Income before income taxes, income from affiliates and minority interests .....</b>	<b>86,223</b>	<b>102,422</b>	<b>188,630</b>	<b>184,816</b>
Income tax expense .....	(35,678)	(19,329)	(62,500)	(35,933)
Income from affiliates .....	–	788	620	1,413
Minority interests .....	(33,387)	(25,653)	(65,923)	(52,929)
<b>Net income / (loss) .....</b>	<b>\$ 17,158</b>	<b>\$ 58,228</b>	<b>\$ 60,827</b>	<b>\$ 97,367</b>
Weighted average number of common shares outstanding – basic .....	358,228,356	360,198,360	358,228,35	331,783,995
Earnings per common share – basic .....	\$ 0.05	\$ 0.16	\$ 0.17	\$ 0.29
Weighted average number of common shares outstanding – diluted .....	367,681,783	360,198,360	367,776,52	331,783,995
Earnings per common share – diluted .....	\$ 0.05	\$ 0.16	\$ 0.17	\$ 0.29

(\*) Certain prior year amounts have been reclassified to conform to the 2007 presentation.

**“COMSTAR – United TeleSystems” OJSC**  
**UNAUDITED CONSOLIDATED BALANCE SHEETS**

<i>(US\$ thousand)</i>	<b>June 30, 2007</b>	<b>December 31, 2006 (*)</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents .....	\$ 148,230	\$ 136,621
Short-term investments .....	128,851	67,662
Trade receivables, net.....	154,546	95,868
Other receivables and prepaid expenses.....	82,507	87,654
Inventories and spare parts .....	33,510	33,740
Deferred tax assets, current portion.....	26,577	23,545
<b>Total current assets .....</b>	<b>574,221</b>	<b>445,090</b>
Property, plant and equipment, net.....	1,575,906	1,477,329
Intangible assets, net .....	103,233	91,835
Long-term investments .....	1,502,364	1,508,790
Restricted cash.....	2,272	4,008
Deferred tax assets, long-term portion .....	3,025	6,725
Deferred finance charges.....	1,492	3,808
<b>Total assets .....</b>	<b>\$ 3,762,513</b>	<b>\$ 3,537,585</b>

(\*) Amounts as of December 31, 2006 were derived from audited financial statements as of December 31, 2006, 2005 and 2004 and for the years then ended.

**“COMSTAR – United TeleSystems” OJSC**  
**UNAUDITED CONSOLIDATED BALANCE SHEETS (continued)**

<i>(US\$ thousand)</i>	<b>June 30, 2007</b>	<b>December 31, 2006</b>
<b>Liabilities and shareholders' equity:</b>		
Current liabilities:		
Accounts payable .....	\$ 44,871	\$ 51,023
Deferred connection fees, current portion.....	33,921	39,812
Subscriber prepayments .....	39,173	45,540
Accrued expenses and other current liabilities.....	110,413	49,631
Taxes payable.....	25,459	12,999
Debt, current portion.....	101,035	777,837
Capital lease obligations, current portion .....	12,697	14,107
Derivative financial instrument (put and call option) .....	176,000	150,000
Total current liabilities .....	543,569	1,140,949
Long-term liabilities:		
Deferred connection fees, net of current portion .....	112,766	109,040
Debt, net of current portion.....	700,166	33,529
Capital lease obligations, net of current portion .....	9,604	17,467
Post-retirement obligations .....	10,591	10,182
Property, plant and equipment contributions .....	104,940	103,793
Deferred tax liabilities, long-term portion .....	69,950	47,619
Other long-term liabilities .....	21,469	8,066
Total long-term liabilities.....	1,029,486	329,696
Total liabilities .....	1,573,055	1,470,645
Minority interests .....	529,954	496,745
Shareholders' equity:		
Share capital.....	23,900	23,900
Treasury stock.....	(4,004)	(4,004)
Additional paid-in capital .....	1,068,831	1,064,225
Retained earnings.....	489,506	433,145
Accumulated other comprehensive income .....	81,271	52,929
Total shareholders' equity.....	1,659,504	1,570,195
<b>Total liabilities and shareholders' equity.....</b>	<b>\$ 3,762,513</b>	<b>\$ 3,537,585</b>

(\*) Amounts as of December 31, 2006 were derived from audited financial statements as of December 31, 2006, 2005 and 2004 and for the years then ended.

**“COMSTAR – United TeleSystems” OJSC**  
**UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS**

<i>(US\$ thousand)</i>	<b>Three months ended June 30,</b>		<b>Six months ended June 30,</b>	
	<b>2007</b>	<b>2006 (*)</b>	<b>2007</b>	<b>2006 (*)</b>
<b>Operating activities:</b>				
Net income.....	\$ 17,158	\$ 58,228	\$ 60,827	\$ 97,367
Adjustments to reconcile net income to net cash provided by operations:				
Depreciation and amortisation .....	37,505	26,880	75,101	53,759
Stock-based compensation.....	495	–	1,817	–
Change in fair value of derivative financial instrument (put and call option) .....	39,500	–	26,000	–
(Gain)/loss from disposal of fixed assets and assets held for resale and other non-cash items, net .....	2,166	(1,232)	2,954	(2,077)
Gain on compensation of losses from third parties....	(2,570)	(483)	(4,072)	(1,297)
Gain from disposal of an affiliate .....	–	–	(3,216)	–
Amortisation of deferred finance charges .....	1,618	–	3,808	–
Deferred taxes .....	3,453	(1,355)	6,711	(1,361)
Income from affiliates .....	–	(788)	(620)	(1,413)
Foreign currency transactions (gain) / loss on non-operating activities, net.....	158	(1,147)	(1,096)	(5,508)
Postretirement benefits.....	1,296	(3,624)	207	(3,995)
Minority interests .....	33,387	25,653	65,923	52,929
Provision for doubtful debts .....	3,142	3,424	3,900	6,111
Inventory obsolescence charge .....	(18)	263	3,326	1,013
Changes in operating assets and liabilities:				
Trade receivables .....	(11,684)	(17,902)	(66,937)	(38,564)
Other receivables and prepaid expenses .....	11,317	1,712	4,487	608
Inventories and spare parts.....	(1,203)	(5,774)	(2,722)	(6,074)
Accounts payable .....	7,185	(2,323)	6,544	233
Deferred connection fees .....	(1,028)	(2)	(4,892)	(2,341)
Subscriber prepayments .....	(522)	2,619	(6,595)	4,577
Taxes payable.....	(9,785)	(1,235)	2,603	1,181
Accrued expenses and other current liabilities.....	(19,178)	(3,265)	27,393	3,603
<b>Net cash provided by operating activities .....</b>	<b>112,392</b>	<b>79,649</b>	<b>201,451</b>	<b>158,751</b>

(\*) Certain prior year amounts have been reclassified to conform to the 2007 presentation.

**“COMSTAR – United TeleSystems” OJSC**  
**UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)**

(US\$ thousand)

	Three months ended June 30,		Six months ended June 30,	
	2007	2006 (*)	2007	2006 (*)
<b>Investing activities:</b>				
Purchases of property, plant and equipment .....	\$ (71,625)	\$ (68,118)	\$ (126,287)	\$ (118,453)
Proceeds from sale of property, plant and equipment and assets held for resale .....	1,412	22,946	2,165	24,935
Purchases of intangible assets .....	(7,046)	(12,439)	(16,522)	(13,227)
Acquisition of subsidiaries, net of cash acquired .....	–	(7,812)	–	(12,456)
Acquisition of minority interests .....	(1,873)	(4,414)	(1,873)	(137,025)
Proceeds from sale of long-term investments .....	8	–	20,605	–
Purchases of short-term investments .....	(89,831)	(321,579)	(130,549)	(361,374)
Proceeds from sale of short-term investments .....	63,394	53,493	85,171	101,336
Decrease in restricted cash .....	6,794	–	1,736	–
<b>Net cash used in investing activities .....</b>	<b>(98,767)</b>	<b>(337,923)</b>	<b>(165,554)</b>	<b>(516,264)</b>
<b>Financing activities:</b>				
Proceeds from borrowings .....	675,131	8,688	682,030	158,838
Principal payments on borrowings .....	(688,831)	(40,862)	(696,491)	(208,616)
Principal payments on capital lease obligations .....	(5,666)	(1,943)	(8,954)	(8,438)
Proceeds from issuance of common stock, net of issuance costs .....	–	–	–	977,009
Deferred finance charges .....	(1,492)	–	(1,492)	–
<b>Net cash provided by / (used in) financing activities ...</b>	<b>(20,858)</b>	<b>(34,117)</b>	<b>(24,907)</b>	<b>918,793</b>
Effects of foreign currency translation on cash and cash equivalents .....	217	780	619	1,873
<b>Net increase / (decrease) in cash and cash equivalents .....</b>	<b>(7,016)</b>	<b>(291,611)</b>	<b>11,609</b>	<b>563,153</b>
<b>Cash and cash equivalents, beginning of the period ...</b>	<b>155,246</b>	<b>916,725</b>	<b>136,621</b>	<b>61,961</b>
<b>Cash and cash equivalents, end of the period .....</b>	<b>\$ 148,230</b>	<b>\$ 625,114</b>	<b>\$ 148,230</b>	<b>\$ 625,114</b>

(\*) Certain prior year amounts have been reclassified to conform to the 2007 presentation.